

# TXT E-SOLUTIONS

Sector: Industrials

# OUTPERFORM

Price: Eu12.44 - Target: Eu16.00

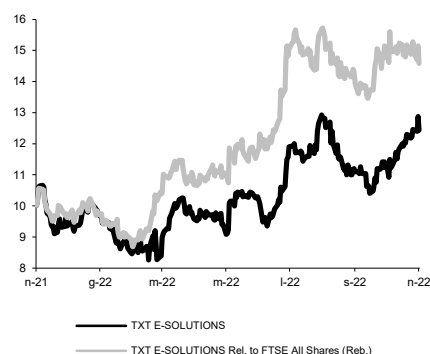
## Estimates Up Thanks to M&A and Stronger Organic Growth

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 15.50 to 16.00		
	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>Chg in Adj EPS</b>	18.1%	15.1%	16.7%

### TXT E-SOLUTIONS - 12M Performance



### Stock Data

Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	8.9%	-3.0%	24.2%
Relative	-4.3%	-7.5%	38.8%
12M (H/L)	12.92/8.26		
3M Average Volume (th):	15.51		

### Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	162
Total Mkt Cap (Eu mn):	162
Mkt Float - Ord (Eu mn):	81
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

### Balance Sheet Data

Book Value (Eu mn):	97
BVPS (Eu):	7.94
P/BV:	1.6
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	178

■ **3Q22 results showed strong growth, beating our expectations.** In detail: revenues came to Eu29.9mn, 7.1% better than expected and up 29.6% YoY (+14% at constant scope) thanks to the Aerospace, Aviation & Automotive division (Eu15.9mn, +15.6% YoY) and the Fintech division (Eu13.9mn, +50.6% YoY); EBITDA came in at Eu4.3mn, 4.6% better than expected and up 40.3% YoY; the company posted net profit of Eu1.8mn in the quarter, down 12% on 3Q21, which benefited from favourable fiscal items. Finally, debt rose to Eu13.0mn, up almost Eu9mn in the quarter, partly as a result of the buyback of treasury shares (Eu1.8mn), but also due to the acquisitions of Ennova (Eu8.9mn for the initial 78.6% stake) and DM (Eu1.4mn in cash).

■ **Management outlook.** CEO Daniele Misani said the year-end forecast on a comparable basis remained positive, and further benefits would come from consolidation of and synergies with Ennova, SPS and the other acquisitions the company would complete. For 4Q22, the Aerospace, Aviation & Automotive and Fintech divisions are expected to continue on a positive trend similar to 9M22. TXT Group also intends to continue to pursue its M&A plan with a couple of targeted deals worth a total of Eu5mn in revenues and Eu1mn in EBITDA. During the call, management indicated that in 2023 the group is willing to monetise its minority stake in Banca del Fucino, bought in 1Q21 at Eu14.3mn; encouragingly, a recent transaction has valued the bank at a significant premium (>20%) to the price paid by TXT. In 1H23, TXT will host an investor day to better detail its ambitions for the years to come.

■ **Change in estimates.** In this report we include the recent acquisition of SPS in our estimates (as of 1st October 2022); this is expected to have a positive impact, including on margins. At the same time, we have improved our forecasts in terms of 2022 organic growth (from +11.7% to +15.3%) on the back of positive indications from 3Q22 results. On the bottom line, we also include the positive effect from the acquisition of the Ennova minorities announced at the beginning of October. All in all, we are upgrading 2022 and 2023 EPS by 18.1% and 15.1% respectively.

■ **OUTPERFORM, target Eu16.0 from Eu15.5.** Good delivery on the M&A strategy coupled to organic performance, confirmed by 3Q22 results, remain the pillars on which our view on the stock rests. The 18% organic growth experienced in 9M22 provides evidence of TXT's ability to successfully integrate M&A targets with its existing activities, a virtuous pattern that is expected to continue. Our target goes from Eu15.5 to Eu16.0 because the change in estimates is partly offset by factoring a risk-free rate of 4.0% (previously 3.0%) into our cost of capital.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	69	96	145	207	221
EBITDA Adj (Eu mn)	9	15	22	29	32
Net Profit Adj (Eu mn)	4	8	9	13	15
EPS New Adj (Eu)	0.383	0.675	0.763	1.091	1.239
EPS Old Adj (Eu)	0.383	0.675	0.646	0.949	1.061
DPS (Eu)	0.040	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	7.2	8.2	5.9	4.9
EV/EBIT Adj	18.4	10.5	11.8	8.4	6.8
P/E Adj	32.5	18.4	16.3	11.4	10.0
Div. Yield	0.3%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-2.6	0.6	1.2	0.7	0.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
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Emittente	%	Long/Short
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